

Message Text

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ACTION NEA-10

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E.O. 11652: N/A
TAGS: ETRD, EAID, IN, IR
SUBJECT: INDIA-IRAN ECONOMIC RELATIONS

1. SUMMARY. RECENT INDO-IRANIAN JOINT COMMISSION MEETING ON ECONOMIC AND TECHNICAL COOPERATION APPARENTLY RESULTED IN FEW (IF ANY) CONCRETE ACHIEVEMENTS. HOWEVER, HIGH LEVEL GROUP WILL EXAMINE POSSIBILITIES OF JOINT PROJECTS IN BOTH COUNTRIES, INCLUDING IN INDIA EXPLOITATION OF BAUXITE DEPOSITS AND ESTABLISHMENT OF AN ALUMINA PLANT ON THE EAST COAST. SUBSTANTIAL TRADE IMBALANCE IN FAVOR OF IRAN WILL LIKELY REMAIN PROBLEM FOR GOI. WE THINK THAT BILATERAL ECONOMIC RELATIONS WILL PROBABLY BECOME MORE IMPORTANT. END SUMMARY

2. AT CONCLUSION OF SIXTH MINISTERIAL SESSION OF THE INDO-IRANIAN ECONOMIC JOINT COMMISSION ON SEPTEMBER 9, A PROTOCOL WAS SIGNED ENVISAGING CLOSER ECONOMIC/TECHNICAL COOPERATION
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BETWEEN THE TWO COUNTRIES. IRANIAN MINISTER FOR ECONOMIC AFFAIRS AND FINANCE ANSARY DESCRIBED THE SESSION AS AN "UNQUALIFIED SUCCESS". HOWEVER, APPARENTLY NO CONCRETE ASSISTANCE OR INVESTMENT AGREEMENTS ON ANY MAJOR PROJECT WERE REACHED.

3. GOI MINISTRY OF COMMERCE DIRECTOR MALIK WHO ATTENDED

COMMISSION MEETINGS TOLD EMBOFF THAT MAJOR ACHIEVEMENT WAS DECISION TO ESTABLISH FARILY HIGHPOWERED GROUP TO LOOK INTO POSSIBILITIES OF JOINT INVESTMENT PROJECTS IN BOTH COUNTRIES. MOST LIKELY JOINT VENTURE NOW APPEARS TO BE EXPLOITATION OF BAUXITE DEPOSITS IN ANDHRA PRADESH AND ORISSA AND ESTABLISHMENT OF ALUMINA PLANT ON INDIA'S EAST COAST TO EXPORT ALUMINA TO IRANIAN ALUMINUM SMELTERS. (INDIAN NEWSPAPERS TALKED OF POSSIBLE 350-400 MILLION DOLLAR PROJECT AND ANNUAL ALUMINA SHIPMENTS OF UP TO 500,000 MT.) MALIK SAID THAT PRELIMINARY FEASIBILITY STUDY HAD BEEN MADE, BUT IT WAS TOO EARLY TO TELL WHAT IRAN'S ROLE (IF ANY) WOULD BE AND WHAT EXACT FORM THE BAUXITE/ALUMINA PROJECT WOULD TAKE. HE SAID THAT IT WAS LIKELY TO BE A GOVERNMENT-TO-GOVERNMENT ARRANGEMENT, BUT THAT ASSISTANCE FROM INTERNATIONAL FINANCIAL INSTITUTIONS MIGHT BE NECESSARY, AS MENTIONED IN THE PROTOCOL.

4. PROTOCOL REFERS TO POSSIBILITY OF ESTABLISHMENT OF JOINT PAPER AND PULP PROJECTS IN INDIA. MALIK ALSO THOUGHT THAT MACHINE TOOLS FACTORY COULD BE A FEASIBLE PROJECT. FEASIBILITY STUDIES ON THESE AND OTHER POSSIBLE PROJECTS WILL BE JOINTLY UNDERTAKEN. MALIK SAID THAT THE SUCCESSFUL BEGINNING OF THE IRANIAN-FINANCED KUDREMU KH IRON ORE PROJECT, ALTHOUGH NOT A JOINT VENTURE, SHOULD BE SOLID BASIS FOR FUTURE JOINT PROJECTS.

5. SUBSTANTIAL BILATERAL TRADE IMBALANCE IN FAVOR OF LIMITED OFFICIAL USE

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IRAN CONTINUES TO BE PROBLEM FOR GOI. (IN 1976-77 IMPORTS OF IRANIAN GOODS WERE 570 MILLION DOLLARS, WHILE INDIAN EXPORTS THERE WERE ONLY 160 MILLION DOLLARS.) MALIK THOUGHT THIS SITUATION WOULD CONTINUE FOR SOME TIME BECAUSE INDIA NEEDED CRUDE PETROLEUM FROM IRAN. HE SAID THAT IRAN WOULD PROBABLY BE EXPORTING FERTILIZER AND UREA TO INDIA. HE ALSO NOTED THAT POSSIBLE INDIAN EXPORTS TO IRAN OF POWER GENERATION EQUIPMENT AND MINERALS WOULD TAKE YEARS TO DEVELOP.

6. COMMENT. WE AGREE WITH MALIK'S OBSERVATION THAT THERE IS SIGNIFICANT POTENTIAL FOR DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN THE TWO COUNTRIES. HE THOUGHT THAT IRAN WOULD BECOME MORE INTERESTED IN INVESTING HERE FOR SUPPLY OF RAW (OR SEMI-FINISHED) MATERIALS, WHILE INDIA SHOULD BE IN A POSITION TO PENETRATE THE IRANIAN MARKET MORE SUCCESSFULLY WITH SUCH ITEMS AS ENGINEERING GOODS. MUCH DEPENDS ON THE EXTENT TO WHICH THE GOVERNMENT OF IRAN WILL BE WILLING TO PROVIDE LOANS FOR MINERAL AND INDUSTRIAL DEVELOPMENT HERE. GOHEEN

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